

Message Text

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INFO OCT-01 IO-13 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

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SP-02 TRSE-00 LAB-04 EPG-02 SIL-01 AGRE-00 OMB-01

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E.O. 11652: N/A

TAGS: ETRD, OECD

SUBJECT: TRADE PLEDGE

FOLLOWING IS TEXT OF REPORT ON RENEWAL OF THE TRADE
PLEDGE ADOPTED BY THE TRADE COMMITTEE MAY 23. TEXT OF
PROPOSED ENTRY INTO THE COUNCIL MINUTES APPROVED BY
THE TRADE COMMITTEE AT THE SAME TIME IS ALSO REPORTED.

BEGIN TEXT OF REPORT:

RENEWAL OF THE DECLARATION OF 30TH MAY, 1974

REPORT BY THE TRADE COMMITTEE

1. ON THE OCCASION OF THE LAST RENEWAL OF THE
DECLARATION WHICH GOVERNMENTS OF OECD MEMBER COUNTRIES
HAD INITIALLY ADOPTED ON 30TH MAY, 1974, THE COUNCIL
AT MINISTERIAL LEVEL AGREED IN JUNE 1976 "TO REVIEW
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THE SITUATION AND TO EXAMINE ANY APPROPRIATE
PROPOSALS WELL IN ADVANCE OF THE EXPIRY OF THE
DECLARATION IN 1977". THIS DECISION PROVIDED THE
BASIS FOR THE WORK UNDERTAKEN BY THE TRADE COMMITTEE
SINCE NOVEMBER 1976 WHICH, AFTER AN EXAMINATION OF
VARIOUS OPTIONS AT HAND, HAS LED TO THE RECOMMENDA-
TION SET OUT IN THE PRESENT REPORT.

2. THE EXAMINATION BY THE TRADE COMMITTEE WAS CARRIED OUT AGAINST THE BACKGROUND OF THE ASSESSMENTS MADE WITHIN THE ORGANIZATION ON THE EVOLUTION IN THE ECONOMIC SITUATION SINCE LAST SUMMER AND OF THE MEDIUM-TERM STRATEGY FOR THE ATTAINMENT OF SUSTAINED NON-INFLATIONARY ECONOMIC GROWTH IN THE OECD AREA WHICH THE COUNCIL AT MINISTERIAL LEVEL ADOPTED LAST YEAR. THE TRADE COMMITTEE FOUND THAT, WHILE IN SEVERAL RESPECTS THE ECONOMIC SITUATION WAS DIFFERENT FROM THAT WHICH PREVAILED AT THE TIME OF THE ADOPTION OF THE TRADE PLEDGE, IT WAS STILL CHARACTERIZED BY RATHER EXCEPTIONAL DIFFICULTIES AND DIVERGENCIES IN MEMBER COUNTRIES' SITUATIONS, AND THAT THE RISK REMAINED THAT UNILATERAL TRADE AND OTHER CURRENT ACCOUNT MEASURES COULD TOUCH OFF CHAIN REACTIONS OF PROTECTIONISM.

3. THE TRADE COMMITTEE NOTED THAT STRONG POLITICAL LEADERSHIP HAS BEEN GIVEN TO EXPAND OPPORTUNITIES FOR TRADE AND TO STRENGTHEN THE OPEN INTERNATIONAL TRADING SYSTEM, WHICH WILL INCREASE JOB OPPORTUNITIES. IT HAS BEEN RECOGNIZED IN THIS CONNECTION THAT PROTECTIONISM WOULD FOSTER UNEMPLOYMENT, INCREASE INFLATION AND UNDERMINE WELFARE. THE TRADE COMMITTEE AGREED THAT THE PRESENT ECONOMIC SITUATION TOGETHER WITH THE INCREASING INTERDEPENDENCE OF OECD ECONOMIES REINFORCES THE NEED FOR A POLITICAL COMMITMENT TO AVOID CURRENT ACCOUNT MEASURES. THE TRADE COMMITTEE LIMITED OFFICIAL USE

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FURTHERMORE AGREED THAT SUCH A COMMITMENT AND RELATED DISCIPLINES HAD TO BE CONSIDERED AS AN IMPORTANT ELEMENT OF THE MEDIUM-TERM STRATEGY FOR THE ATTAINMENT OF SUSTAINED NON-INFLATIONARY ECONOMIC GROWTH IN THE OECD AREA.

4. THE IMPLEMENTATION OF THIS STRATEGY WILL BE A CENTRAL THEME FOR MINISTERIAL CONSIDERATION THIS YEAR. THIS WILL PROVIDE THE APPROPRIATE WIDER CONTEXT FOR THE DECISION CONCERNING THE FUTURE OF THE TRADE PLEDGE AND FOR TREATING INTERRELATED PROBLEMS WHICH DO NOT FALL WITHIN THE COMPETENCE OF THE TRADE COMMITTEE, SUCH AS THE DIVERGENCIES IN ECONOMIC PERFORMANCE AMONG MEMBER COUNTRIES AND THE PERSISTENCE OF SERIOUS BALANCE-OF-PAYMENTS PROBLEMS IN VARIOUS COUNTRIES. WHILE IT IS OF THE FOREMOST IMPORTANCE TO DEVISE APPROPRIATE POLICIES TO DEAL WITH THESE PROBLEMS, IT IS ESSENTIAL TO MAINTAIN AN OPEN AND MULTILATERAL TRADING SYSTEM AS SUCH A SYSTEM IS, TOGETHER WITH

THOSE POLICIES, A BASIC ELEMENT IN A TOTAL STRATEGY
TO DEAL WITH THE SITUATION. IN THIS CONNECTION, THE
TRADE COMMITTEE ALSO WANTS TO STRESS THE IMPORTANCE

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OF THE NEW IMPETUS GIVEN TO THE MULTILATERAL TRADE
NEGOTIATIONS.

5. THE INCREASE IN PROTECTIONIST PRESSURES WHICH IS
AT PRESENT OBSERVED IS MAINLY DUE TO THE PERSISTANCE
OF HIGH LEVELS OF UNEMPLOYMENT AND PARTICULAR DIFFI-
CULTIES IN CERTAIN SECTORS WHICH CANNOT BE CURED
OVERNIGHT. IT IS CLEAR HOWEVER THAT RECOURSE TO
PROTECTIONIST POLICIES WOULD RISK FOSTERING UNEMPLOY-
MENT AND INCREASING INFLATION. ON THE INTERNATIONAL
LEVEL, ACTIONS TAKEN UNILATERALLY TEND TO CARRY THE
RISK OF PROLIFERATION WITH SELF-DEFEATING IMPLICATIONS.

6. IT MAY BE RECALLED THAT, IN ADDITION TO UNDER-
LINING THE NEED FOR AN ACTIVE USE OF THE PROCEDURES
FOR CONSULTATION WITH REGARD TO TRADE AND OTHER CURRENT

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TRANSACTIONS, THE COMMENTS WHICH WERE ADOPTED WHEN RENEWING THE TRADE PLEDGE IN 1975 STRESSED THAT AD HOC CONSULTATIONS COULD FACILITATE THE PURSUIT OF POSITIVE AND MUTUALLY ACCEPTABLE SOLUTIONS WHEN SEVERAL COUNTRIES ARE CONFRONTED WITH THE SAME STRUCTURAL OR SECTORAL PROBLEMS. THESE COMMENTS REMAIN CERTAINLY VALID AND ACQUIRE ADDED IMPORTANCE UNDER PRESENT CONDITIONS.

7. THE BASIC IDEA OF THE TRADE PLEDGE THAT THE BURDEN OF ADJUSTMENT SHOULD NOT BE SHIFTED TO OTHERS REMAINS ENTIRELY APPLICABLE UNDER PRESENT ECONOMIC CONDITIONS AND ACQUIRES EVEN ADDED IMPORTANCE IN THE LIGHT OF THE OBJECTIVES OF THE MEDIUM-TERM STRATEGY FOR THE ATTAINMENT OF SUSTAINED NON-INFLATIONARY ECONOMIC GROWTH. THIS IMPLIES THAT EVERY EFFORT BE MADE TO ACHIEVE THE ADJUSTMENT WITH MEASURES WHICH AVOID OR MINIMIZE DISTORTIONS TO TRADE. THOSE FACING THE ADJUSTMENT PROBLEMS SHOULD ON THE OTHER HAND BE ABLE TO COUNT, IN THE FRAMEWORK OF INTERNATIONAL ECONOMIC CO-OPERATION, ON THE UNDERSTANDING OF AND POSSIBLY ON SUPPORT FROM OTHER MEMBER COUNTRIES. CONSULTATIONS CONDUCTED IN THIS SPIRIT ARE INDEED NEEDED IN ORDER TO FIND AND IMPLEMENT MULTILATERALLY ACCEPTABLE SOLUTIONS TO TRADE PROBLEMS IN A MANNER WHICH TAKES INTO ACCOUNT THE INTERESTS OF ALL CONCERNED. IN THE CASE OF SECTORAL PROBLEMS, EVERY EFFORT SHOULD BE MADE TO IDENTIFY SUCH PROBLEMS BEFORE THEY ASSUME CRITICAL PROPORTIONS AND TO PROCEED TO CONSULTATIONS IN THEIR REGARD, TAKING INTO CONSIDERATION INTER ALIA STRUCTURAL CHANGES IN THE WORLD ECONOMY; THE TRADE COMMITTEE WILL ORIENTATE ITS WORK PROGRAM ACCORDINGLY.

8. BILATERAL CONTACTS ARE AN APPROPRIATE AND VALUABLE TOOL FOR THE DISCUSSION OF MANY TRADE PROBLEMS AND ARRANGEMENTS REACHED BETWEEN THE COUNTRIES CONCERNED

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CAN CONTRIBUTE TO THEIR SOLUTIONS. SUCH ARRANGEMENTS MAY HOWEVER AFFECT AND GIVE RISE TO QUESTIONS FROM TRADE PARTNERS WHO ARE NOT DIRECTLY INVOLVED IN THEM. IT SHOULD BE UNDERSTOOD THAT WHEN SUCH BILATERAL ARRANGEMENTS HAVE IMPLICATIONS FOR THE TRADE OF OTHER TRADE PARTNERS, THE PARTIES TO SUCH ARRANGEMENTS

SHOULD BE WILLING TO CONSULT WITH THE AFFECTED PART-
NERS.

9. ON THE BASIS OF THE FOREGOING REMARKS, THE TRADE
COMMITTEE RECOMMENDS THAT THE TRADE DECLARATION OF
30TH MAY, 1974 SHOULD AGAIN BE RENEWED FOR A FURTHER
YEAR AND THAT THE CONSULTATION PROCEDURES SHOULD BE
FULLY UTILIZED AND APPLIED IN ACCORDANCE WITH THE
CONSIDERATIONS SET OUT IN THIS REPORT.

10. FINALLY, THE TRADE COMMITTEE WISHES TO DRAW THE
ATTENTION OF THE COUNCIL TO PROGRESS ACHIEVED IN
MULTILATERAL CO-OPERATION CONCERNING EXPORT CREDITS,
AN AREA WHICH HAS BEEN SINGLED OUT IN THE TRADE PLEDGE
BECAUSE OF ITS PARTICULAR IMPORTANCE. THE COUNCIL AT
MINISTERIAL LEVEL AGREED LAST YEAR TO REINFORCE THE
ORGANIZATION'S ACTIVITIES IN THIS FIELD AND TO EXAMINE
THESE ACTIVITIES AT REGULAR INTERVALS. THE ATTACHED
REPORT OF THE CHAIRMAN OF THE GROUP ON EXPORT CREDITS
AND CREDIT GUARANTEES DESCRIBES THE RESULTS ACHIEVED
AND THE ACTIVITIES PLANNED FOR THE REST OF THE YEAR.
IT GIVES GROUND FOR SATISFACTION THAT 17 OUT OF THE
22 MEMBER COUNTRIES REPRESENTED IN THE GROUP ARE NOW
FOLLOWING COMMON GUIDELINES FOR THE EXTENSION OF
OFFICIALLY SUPPORTED EXPORT CREDITS. THE COUNCIL
MAY WISH TO ENCOURAGE THE REMAINING FIVE COUNTRIES

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TO JOIN THE CONSENSUS REACHED BY THE OTHERS. THOSE COUNTRIES WHICH AT PRESENT APPLY THE CONSENSUS ONLY UNTIL THE 30TH JUNE, 1977 WILL HOPEFULLY ACCEPT THE RECOMMENDATION MADE TO THEM TO EXTEND THIS PERIOD UNTIL THE END OF THE YEAR. A REVIEW EXERCISE IS ANTICIPATED TO TAKE PLACE AMONG THE PARTICIPANTS IN THE CONSENSUS IN THE SECOND HALF OF 1977; IT WOULD INCLUDE THE DISCUSSION OF POSSIBLE IMPROVEMENTS OF THE SUBSTANCE OF THE CONSENSUS.
END TEXT OF REPORT.

BEGIN TEXT OF PROPOSED ENTRY INTO THE MINUTES OF THE COUNCIL:
THE COUNCIL

(A) NOTED THE STATEMENTS MADE BY DELEGATES IN
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THE COURSE OF THE DISCUSSION;

(B) NOTED THAT THE GOVERNMENTS OF OECD MEMBER COUNTRIES(1), ON THE BASIS OF THE REPORT BY THE TRADE COMMITTEE (C(77)...), HAVE RENEWED FOR ONE YEAR THE DECLARATION WHICH THEY INITIALLY ADOPTED ON 30TH MAY, 1974 (C/M(74)13, ANNEX B) AND SUBSEQUENTLY RENEWED ON 29TH MAY, 1975 (C/M(75)18 (PART I), ITEM 145) AND ON 22ND JUNE 1976 (C/M(76)14 (PART II), ITEM 140);

(C) NOTED THAT THE REPORT BY THE TRADE COMMITTEE (C(77)...) UPDATES THE AGREED COMMENTS WHICH ACCOMPANIED THE ADOPTION OF THE DECLARATION IN 1974 AND ITS FIRST RENEWAL IN 1975, AND THAT IT THEREFORE ILLUSTRATES, TOGETHER WITH THE EARLIER COMMENTS, THE SPIRIT IN WHICH THE GOVERNMENTS OF OECD MEMBER COUNTRIES (1) INTEND TO PURSUE THE IMPLEMENTATION OF THE DECLARATION;

(D) INVITED THE SECRETARY-GENERAL, UPON THE REQUEST OF A MEMBER COUNTRY OR UPON HIS OWN INITIATIVE, TO CONTINUE TO ORGANIZE IN AN APPROPRIATE WAY SUCH CONSULTATIONS AMONG

MEMBER COUNTRIES AS MAY BE REQUIRED TO ASSURE
THAT THE DECLARATION IS APPROPRIATELY IMPLI-
MENTED AS PROVIDED IN ITS PARAGRAPH (D);

(E) AGREED TO REVIEW THE SITUATION AND TO EXAMINE
ANY APPROPRIATE PROPOSALS BEFORE THE MEETING
OF THE COUNCIL AT MINISTERIAL LEVEL IN
MID-1978.

(1) INCLUDING THE EUROPEAN COMMUNITIES.
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END TEXT OF PROPOSED ENTRY INTO MINUTES OF COUNCIL.

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Message Attributes

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Disposition Approved on Date:
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MAY 23. TEX
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